term "franchise area" is also used in 47 U.S.C. § 543(1)(1)(B) and (C), and that the term must be consistently interpreted. 12 But nothing in the FCC rules interpreting those sections is inherently inconsistent with the position urged by the Coalition. More importantly, the industry's interpretation would preclude rate regulation in areas where operators have excessive market power: that is a result Congress plainly did not want. 13

B. There is no Basis for Presuming that SMATVs and TVROs are Offered to 50 Percent of the Community

Industry Oppositions support the FCC's presumption that SMATV and TVRO service is available to 50 percent of households in all communities. But the industry makes no substantive response to the Coalition's explication of why such service cannot be presumed to be available. See Coalition Pet. for Recon. at 15-16. In particular, the industry is silent with respect to the fact that the FCC's presumption ignores the Act's requirement that the alternative service provider be unaffiliated with the dominant cable operator in the area. The industry also does not explain why the FCC is correct in presuming that SMATV or TVRO service is available to 50 percent of all communities when it simply is not. See e.g., Time Warner Opp. at 21

<sup>&</sup>quot;franchise area" when it intended to refer specifically to the area in the community which the operator is authorized to serve, the fact that Congress <u>failed</u> to used the term "franchise area" in its uniformity requirement (47 U.S.C. § 543(d) must logically be construed as proving that the uniformity requirement is not (as the cable industry contends) limited to the franchise area.

<sup>13</sup> See Section 2(b)(5) of the Act.

(claiming that SMATV and TVRO services "use similar technologies" but recognizing that the same provider is unlikely to serve both single family homes and multi-unit dwellings).

Respectfully submitted,

Nicholas P. Miller Joseph Van Eaton Lisa S. Gelb MILLER & HOLBROOKE 1225 19th Street, NW Suite 400 Washington, D.C. 20036 (202) 785-0600

August 4, 1993

oppreply.dft

### EXHIBIT A

PHONE NO. :

XC->M-DISCUSS W/ me

MANS CARLE PARTHESS. LE ALACHUA COUNTY BOARD

OF COUNTY COMMISSIONERS

July 26, 1993

'93 JUL 27 - AM 10 32

please applain!

Alachua County P.O. Box 2877 Gainesville, FL 32602-2877

Bob Fernandez, County Manager

Dear Mr. Fernandez:

While I must present to 11 franchise authorities our option "B proposal to freeze our rates until October 1, 1994, it appears I cannot personally meet with everyone because of conflicting dates and meeting times.

Should you choose option "A, no action is required by you except to communicate your decision to me, however, most of our customers will receive an increase in October.

Should you choose option "B", which would freeze rates as shown on the worksheet, then you must pass a resolution or ordinance BEFORE AUGUST 20. If no action is taken, we must put option "A" into effect causing the rate increase. The FCC only allows us this one window of opportunity to adjust our rate in a revenue neutral manner.

Please call me if you have any questions.

Sincerely.

Jim Morris General Manager ALACHUA COUNTY COMM.

TEL No.904-3387363

Jul 30,93 14:07 No.008 P.06

Please died response

POST OMICE BOX 900 + HIGH SPRINGS, FLORIDA 32643 + 904-454-2299 + 800-861-9740

'93 JUL 9 AN 9 22

July 9, 1993

Alachun County P.O. Box 2877 Gainesville, FL 32602-2877

Attention: Bob Fernandez, County Manager

Dear Mr. Fernandez

As a follow up to my letter of June 4, 1993, I am sending you and our franchise authority additional information on the recently passed cable reregulation legislation.

The effective date of the Federal communications commission ("FCC") cable TV rate regulation rules is October 1, 1993. The rules require that we restructure our rates by October 1, 1993 in a revenue neutral manner. Unfortunately, this revenue neutral restructuring will result in rate increases for most of our customers. We think it is in the best interest of our customer, the franchise authority and Cable Florida to avoid this type of rate increase. Accordingly, we have developed a proposal to accomplish this. The proposal consists of two options, Option A and Option B, and requires the franchises authority to make a selection.

Option A is the FCC's revenue neutral restructuring which results in rate increases for most of our customers. Option B would freeze our Basic and tier service rate until October 1, 1994, at the same level they have been since the first of the year.

Enclosed are some documents regarding this proposal. I must schedule and meet with eleven franchise authorities to explain and discuss this proposal. Please contact me so that we might schedule a meeting. Time is of the essence.

Sincerely,

Jim Morris

General Managor

# ption A

						<b>1</b> 2.*	
	Additional Outlet	Remote Converter	Manual Converter		Tier Service(s)	Basic Service	
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	₩	₩	<b>€</b> 3		4	ഗ	
	0.00 \$ 3.34	3.82	3.34		14.31	S 10.00	
	_						

R

Excludes Franchise Fees and subject to change due to Rottmassnistican Consent

## Advantages

No action necessary. This is the default option and will be adopted if Option B is not schooled by your community.

# Disadvantages

The majority of our oustomers will get a \$2.03 rate increase. The Cable Act mendians reductions in converter and additional order rates. Therefore, in order to remain revenue neutral under the terms of the FCC rules, increases in the combined Basic and Tier Rates are required.

No rate faceze commitment. In all likelihood, we will be selecting the FCC Cast of Service Sandards to justify our rates. Although these standards have yet to be determined by the FCC, based upon general public utility rates our rates are more than justified by our costs to provide cable service to your community.

The Basic Rate of \$4.95 is far below our costs to provide that level of Service and is heavily subsidized by our Ther Rate. If too many customers subscribe only to the Basic Service we will have no option but to "collapse" the Tier Service into the Basic Service and charge one rate for all programming. That rate would approximate the combined current rates for Basic and Ther Service.

Blimmatian of all discousts

### **Option B**

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						* \$30	
* Freinder Franchise Rees and subject to change	Additional Outlet	Remote Converter	Manual Converter	CHIEF THE PARTY OF	Tier Service(s)	Basic Service	
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incr 5 ch	3,34 \$ 3.34	3.82	3.34	24.31 \$ 24.31	17.59 \$ 14.31	6.72 \$ 10.00	
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	3.34	3.82	3.34 4	24.31	14.31	10.00	Christily

THE TO TOT WE ARE THE TOTAL OF

### Advantages

due to Retransmission Conse

No rate increase on October 1, 1993. Customers subscribing to Basic Service only will see a modest change in their bill.

Rate freeze until October 1, 1994.

The modestly higher Basic Rate with this option, as compared to Option A, reduces the probability of the Tier Service being collapsed into Basic Service. Collapsing the Tier Service into the Basic Service would result in the climination of the currently low priced and heavily submidized rate for Basic Service.

Cartification not necessary and not varived. Certification can still be adopted by your community at any time.

TEL No. 904-3387363

Eliminates a probable and very costly Cost of Service Showing; the legal and other professional consultant costs of which are ultimately borne by our customers.

Continuation of discounts.

# Disadvantages

ALACHUA COUNTY CUMM.

Requires signing (by resolution or ordinance, as appropriate), an agreement eliminating retroactive rate refunds.

Z

### AGREEMENT GOVERNING CABLE TELEVISION RATES. RATE CERTIFICATION AND FRANCHISE FRES

This Agreement entered into on	, 1993 between the
This Agreement entered into on("Grantor") and James	Cable Partners, L.P. d/b/a
Cable Florida ("Grantes").	: ` ` ` ` ` ` ` `
WILLREAS, Grantco provides cable television	on services to residents of Grantor
pursuant to a valid franchise;	
WHEREAS, the Federal Communications C	ommission ("FCC") has adopted
rules for the regulation of cable television rates, and	
regulating cortain cable television rates pursuant to l	PCC rules and standards;
WHEREAS, Grantor has reviewed the impact	et that application of FCC rate
regulation rules and standards will have on rates and	
those rules and standards will not serve the public in	iterest;
NOW THEREPORE, Grantor and Grantee, for	consideration acknowledged and
received, hereby agree that cable television rates in	shall be
governed according to the provisions set forth below	
1. Grantee agrees to establish rates for cal	ole television services, and
associated services and equipment, consistent with the	· · · · · · · · · · · · · · · · · · ·

- Those rates shall be frozen until October 1, 1994, subject to increases in Grantce's costs resulting from (1) obligations imposed by the Grantor during the term of this Agreement, and (2) retransmission consent fees that are incurred during the term of this Agreement. Such costs increases are exempt from the freeze and will be passed through to subscribers. Grantee's obligation to freeze rates under this section shall terminate immediately upon receipt of the certification notification required by Section 3 of this Agreement.
- During the term of this Agreement, Grantor agrees not to file a complaint concerning Grantee's cable programming service tier rates pursuant to 47 C.F.R. \$76.950. Any decrease in Grantee's cable programming service tier rates resulting from the filing of any complaint shall justify a comparable increase in Granteo's basic service tier rates under this Agreement during the freeze period.

- 3. Grantor agrees to provide Grantee at least 90 days written notice before filing a certification with the FCC pursuant to 47 C.F.R. SS76.910 or 76.912. Should Grantor certify with the FCC to regulate rates, such regulation of basic service rates or related services and equipment shall be prospective in nature only. Grantor agrees that under no circumstances will any refund be ordered pursuant to 47 C.F.R. S76.942, or otherwise, for any of Grantee's rates in effect prior to the date Grantor notifies Grantee that it has become certified by the FCC, and Grantor is authorized to regulate rates, or for any period of time during which this Agreement is, or has been, in effect.
- 4. Notwithstanding anything else to the contrary in this Agreement, if for any reason Grantee is required to make any refunds pursuant to 47 C.F.R. \$942, or otherwise, for any rates in effect during the term of this Agreement, Grantor agrees that Grantee, its successors and assigns, shall receive a dollar for dollar credit against future franchise fees owed to the Grantor until Grantee has recovered the full amount of any refund. This right of Grantee shall survive the lapse or termination of this Agreement, including any termination under Section 5.
- 5. On August 1, 1994, Grantor and Grantee shall commence discussions to determine whether to continue this Agreement beyond October 1, 1994, and if so, upon what terms and conditions. If no agreement is reached, this Agreement shall terminate on October 1, 1994 subject to Grantee's rights under Section 4.
- 6. Grantor and Grantee each warrant that this Agreement constitutes a valid and enforceable obligation. Grantee warrants that all necessary corporate and partnership actions have been taken to authorize Grantee to execute this Agreement. Grantor warrants that all necessary legislative action has been taken to authorize Grantor to execute this Agreement.
- 7. Each provision of this Agreement shall be deemed a separate, distinct, and independent provision and any holding of invalidity or unenforceability as to one or more provisions of the Agreement shall not affect the validity and enforceability of the remaining provisions hereof. To the extent that any provision of this Agreement is held to be invalid or unenforceable, the parties shall use best efforts to modify the Agreement in a manner that accomplishes the intent of the parties as set forth herein. Notwithstanding the above, if Grantee determines that any of its rights set forth in Section 4 of the Agreement are unenforceable, the Agreement shall be null and void upon written notice by Grantee to Grantor.

d/b/a

Mayor		
James Cable Barton	rc Y D	

### EXHIBIT B

We're taking television into tomorrow.



Ms. Kathy Mathias c/o City Hall 301 Saltimore Avenue P.O. Box 158 Ocean City, Maryland 21842

July 11, 1993

Re: Certification

Dear Kathy,

If there is no major pressure on you from the community to regulate cable television, consider allowing the bandwagon to pass you by and take the opportunity to reasonably consider the pros and cons of certification.

- 1. There is no deadline to certify. A franchising authority can always certify later and reach back to October 1, 1993 (or one year) to order refunds if necessary.
- 2. Should you certify, you will have to follow 500 pages of Federal Communications Commisssion rules relating to the regulation of cable rates. Once in the process, you cannot "settle" informally on a rate schedule that makes sense locally. Even after the franchising authority issues an order, a subscriber can appeal to the FCC.
- 3. You will always have access to the same benchmark information and forms which are used in formal rate hearings, but the informal proceedings can make the proceedings go much easier.
- 4. Informal negotiations give both sides more flexibility to reach rate decisions without having to go through the elaborate Form 393 calculations or cost of service hearings.
- 5. Once you certify, there is no provision for decertification and the city is locked into the FCC process permanently.
- 6. A percentage of franchise fees paid by our company, which are now designated as a part of the general fund, will be eaten up by attorneys, consultants, promulgating and enforcing rules, auditing cable cost of service filings, and won't be available for other purposes.

8301 Coastal Highway Ocean City, Maryland 21842 (410) 524-3401 Fax (410) 524-2335 An Equal Opportunity Employer 7. By not certifying, you don't leave our cable company unragulated. The FCC will regulate tiers above basic service and, when a franchise authority can show cause why they cannot regulate basic service, the FCC will regulate that as well.

As you can see, the upcoming tasks, as difficult as they may seem today, can be handled cooperatively and with respect for both parties issues and concerns.

Should you have any thoughts on the above, I am available at your convenience.

Sincerely,

Joy E. Davison, General Manager

### EXHIBIT C

DEPARTMENT OF FINANCE AND MANAGEMENT SERVICES Richard German, Director



### CITY OF SAINT PAUL James Schelbel, Mayor

OFFICE OF CABLE
COMMUNICATIONS
66 City Hall
15 W. Kallogg Blvd.
Saint Paul, Minnesote 53102

Tolophone: 612-266-8870 Facsimile: 612-266-8871

August 4, 1993

Secretary
Federal Communications Commission
1919 M Street N.W.
Washington, D.C. 20554

MM Docket 92-266, Reconsideration of the Report and Order and Further Notice of Proposed Rulemaking in the Matter of Implementation of Sections of the Cable Television Consumer Protection and Competition Act of 1992; Rate Regulation.

Dear Sir:

Attached are nine copies of a letter responding to certain claims made by Continental Cablevision, Inc. in an Opposition of Petitions for Reconsideration filed in the above-captioned docket. We appreciate your consideration of the letter. If there are any questions, please contact me.

Sincerely,

Cable Communications Officer



CITY OF SAINT PAUL
James Scheibel, Mayor

347 City Hall 15 West Kellogg Boulevard Saint Paul, MN 55102 Telephone: 612-298-4323
Facsimile: 612-298-4144

August 4, 1993

The Honorable James H. Quello Chairman Federal Communications Commission 1919 M Street NW Washington, D.C. 20554

Re: MM Docket 92-266, Reconsideration of the Report and Order and Further Notice of Proposed Rulemaking in the Matter of Implementation of Sections of the Cable Television Consumer Protection and Competition Act of 1992; Rate Regulation.

### Dear Chairman Ouello:

We have reviewed a copy of Continental Cablevision, Inc.'s Opposition to Petitions for Reconsideration in MM Docket 92-266. As we understand it, Continental is claiming that cable operators should be able to raise rates to subscribers to pass through costs associated with franchise requirements. Continental tries to convince the Commission that this result is reasonable by arguing that it has no control over these costs and that these costs are unreasonable additions to its cost of doing business. Continental cites a recent settlement with St. Paul as an example of the problem. We are writing you because Continental's Opposition is founded on gross misstatements about the St. Paul settlement.

Continental is referring to a dispute that dated back to May, 1989, when the City of St. Paul initiated a Five Year Performance Review of Continental. As a result of the review, the City found that Continental had substantially failed to comply with its franchise. The parties sought, unsuccessfully, to resolve the compliance issues through negotiation. In April 1992, Continental filed an application to modify the franchise, and the City of St. Paul issued a Violations Notice to Continental. Continental and the City finally reached a settlement in September 1992, after lengthy negotiations.

Continental's filing claims that it was "forced, through a baseless claim of breach..." to pay an additional \$5.1 million through that settlement to St. Paul to preserve its franchise. In other words, Continental claims (1) the settlement forced it to make significant, unexpected new outlays; (2) it was forced to make these payments to resolve unfounded claims; (3) it accepted the settlement unwillingly. This is not accurate.

Far from imposing new obligations upon Continental, the settlement actually relieved Continental of nearly \$16 million in franchise obligations. Among other things, Continental was relieved of \$2.8 million in access and local origination requirements. Its franchise obligation to upgrade the system which would have cost about \$13 million, was deferred. Other cost savings included relief of \$168,900 for promises related to the institutional network, and relief from the interest owed for several years. Some franchise obligations were modified: before the settlement Continental was making \$540,000 annual payments for and in support of access and local origination programming: after the settlement, local origination obligations were eliminated. Continental is required to continue to make \$540,000 payments in support of local programming, but now all the payments go to an independent access corporation. Other franchise obligations requiring Continental to provide public benefits were altered, but no new obligations were imposed. As a result, Continental is paying almost the same amount to provide public benefits and support local programming now compared to the amount it was paying before the settlement. The company's claim that it is shouldering \$5.1 million in new payments is not accurate.

Indeed, to the extent Continental is paying more now than it was in 1992, those payments were fully contemplated by the franchise. Continental is merely being required to comply with franchise obligations which it agreed to satisfy years ago. This is hardly objectionable and cannot justify subscriber rate increases, particularly in light of the real savings to the company. Using Continental's own calculation method, the settlement amounts to a cost savings to the Company of about \$4.50 per month per subscriber. Rather than being permitted to increase rates as a result of the settlement, Continental, and companies in similar situations, should be passing through cost savings to subscribers.

Continental cannot seriously claim that it was forced to accept the settlement to resolve unfounded claims. The fact that Continental filed a petition to modify the franchise indicates that Continental understood it had franchise obligations that it was not meeting. Continental had an option under the Cable Act to pursue that modification petition rather than settle.

It chose not to pursue that option, but not (as it claims in its filing) because of potential litigation costs. The attached public statement by Randall Coleman, vice president and district manager of Continental, thanks the City for the "many hours" it spent in the "arduous process" of resolving the differences between the parties.

6122668871

According to Coleman, "a fair amount of 'give and take' was necessary to reach agreement. We think the final product is a fair one . . . " Thus, the shape of the final settlement was well within Continental's control, and provided substantial benefits to Continental.

Finally, Continental fails to inform the Commission of what may be the most important fact about basic rates in St. Paul: since 1991, basic rates have increased almost 500 percent with no substantial improvements in service. Rates for basic and satellite service combined increased about 19 percent between 1991 and 1993. This is not a case where Continental is entitled to be paid more.

The cable industry has a history of creating "franchising horror stories" in an effort to justify limiting needed regulation. If Continental's pleading is an example, the Commission needs to approach these stories with extreme skepticism." In our case, we devoted hundreds of staff hours to negotiate with a cable company, and to devise a final settlement that modified and limited franchise obligations in a way that everyone agreed, at the time, was in the best interests of the community. It would be ironic indeed if the Commission now required subscribers to pay an added price for reducing Continental's obligations to St. Paul,

City Council President

Sincerely,

James Scheibel, Mayor

Attachments:

Council President Wilson, Chairman Thune, members of the city council, my name is Randall Coleman. I am vice president and district manager for Continental Cablevision of St. Paul, 214 East Fourth Street.

My remarks are brief. I would first like to thank each you and the city's staff for the many hours spent on this issue and the commitment to finding a resolution to our outstanding differences. This was a process that began over three years ago and has been the focus of numerous public meetings, reports and legal documents. Over the last six months, city staff and ourselves have been engaged in hours and hours of negotiation sessions. These meetings have produced an agreement in principle and subsequent ordinance modifications which I hope meets with your final approval.

This has been an arduous process which, hopefully will soon culminate in an affirmative vote by the council. The cost to each of us, were we not able to reach a settlement, would surely be in the hundreds of thousands of dollars.

In reaching an agreement and in bringing this process to a close, we will be accomplishing positive change, just as many cities and cable operators have done over the last decade. While the cable ordinance contains provision for change, no one could have

anticipated exactly what kind of changes would be necessary in 1983, when cable bids were submitted in St. Paul. In 1983, the future of cable communications in this country was unknown. Cable was in a state of rapid development. No one could have predicted what would work and what would not, just as no one could have predicted what the level of cable subscriptions would be in St. Paul or what a tremendous impact the home VCR would have on the pay TV industry. Nor could anyone predict the failure of interactive services like opinion polling and home security and a range of other services.

Over the last nine years much has changed. The cable industry has continued to grow in most parts of the country, yet in America's urban centers cable has struggled to reach penetration levels barely exceeding 40%. While cable technology has advanced in many areas and continues to do so, poised well for the future, acceptance of our product in major urban centers continues to lag seriously behind the rest of the country, another fact no one could have predicted in 1983.

Here in St. Paul, we have one of the most technically sophisticated cable systems in the country. From a programming perspective, we have a system that ranks in the top 5%, and we have added more than 15 programming services since our system began operation in 1985. We have also done an exemplary job of creating award winning local programming and have just been selected as the winner of the 1992 Customer is Key Award, the industry's highest

honor in customer service, yet the marketplace is yet to embrace cable on a broad scale.

We invite comparison to any business in the city of comparable size regarding the depth of benefits the city and its citizens have received from Continental Cablevision. We have produced thousands of hours of local programming, giving exposure to organizations and individuals who would otherwise never get it. We have a staff of 160 working in downtown and contributing to the Lowertown economy. We have worked with hundreds of local organizations and have donated tens of thousands of dollars to local charities. In fact, this week, ourselves and HBO are sending a young girl from the St. Paul Boys and Girls club to the Michael Jackson concert in Paris. The kinds of community involvement and the depth of the involvement we have in St. Paul life is unsurpassed by any business of similar size, and to date we have paid the City of St. Paul nearly \$5,000,000 in franchise fees.

We have worked extremely hard at operating a cable system you and we could be proud of. Not generating complaints at City Hall, being responsive to customers' needs and trying to crack this market have been our highest priorities.

While we now receive compliments from our customer daily, we still have to work harder to further municipal relationships. I hope and trust that this settlement is reflective of a new beginning in our relationship and old issues can finally be put to rest. What we

have here is the opportunity to move forward in a logical, mutually agreeable fashion, and one that squarely puts these issues behind us, where they now belong.

The staff report before you clearly addresses all of the major concerns expressed by the city throughout this review process, and a fair amount of "give and take" was necessary to reach agreement. We think the final product is a fair one and one that will serve the city well. We urge you to ratify.

I thank you for your time and consideration and would welcome any questions.

Council President Wilson, Chairman Thune, members of the city council, my name is Randall Coleman. I am vice president and district manager for Continental Cablevision of St. Paul, 214 East Fourth Street.

My remarks are brief. I would first like to thank each you and the city's staff for the many hours spent on this issue and the commitment to finding a resolution to our outstanding differences. This was a process that began over three years ago and has been the focus of numerous public meetings, reports and legal documents. Over the last six months, city staff and ourselves have been engaged in hours and hours of negotiation sessions. These meetings have produced an agreement in principle and subsequent ordinance modifications which I hope meets with your final approval.

This has been an arduous process which, hopefully will soon culminate in an affirmative vote by the council. The cost to each of us, were we not able to reach a settlement, would surely be in the hundreds of thousands of dollars.

In reaching an agreement and in bringing this process to a close, we will be accomplishing positive change, just as many cities and cable operators have done over the last decade. While the cable ordinance contains provision for change, no one could have

### CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of August, 1993, I caused copies of the foregoing Reply to Oppositions to Petitions for Reconsideration to be served by first class mail, postage prepaid, upon the following:

Robert J. Sachs
Howard B. Homonoff
Continental Cablevision, Inc.
The Pilot House
Lewis Wharf
Boston, Massachusetts 02110

Paul Glist
James F. Ireland
Robert G. Scott, Jr.
Cole, Raywid & Braverman
1919 Pennsylvania Avenue, NW
Suite 200
Washington, D.C. 20006

Robert L. James
Theresa A. Zeterberg
J. D. Thomas
Maria T. Browne
Cole, Raywid & Braverman
1919 Pennsylvania Avenue, NW
Suite 200
Washington, D.C. 20006

Brenda L. Fox
Peter H. Reinberg
J.G. Harrington
Peter C. Godwin
Dow, Lohnes & Albertson
1255 Twenty-Third Street, NW
Suite 500
Washington, D.C. 20037

Daniel L. Brenner
Michael S. Schooler
National Cable Television
Association, Inc.
1724 Massachusetts Avenue, NW
Washington, D.C. 20036

Philip L. Verveer Sue D. Blumenfeld Laurence D. Atlas Willkie Farr & Gallagher 1155 21st Street, NW Suite 600 Washington, D.C. 20036

Aaron I. Fleischman Charles S. Walsh Seth A. Davidson Fleischman and Walsh 1400 16th Street, NW Suite 600 Washington, D.C. 20036

Joseph Van Eaton